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SUBJECT: SAN LUIS POTOSI TRAVELOGUE; SECURITY GOOD; ECONOMY IN TROUBLE

REF: MEXICO 146

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¶1. (U) Summary. We expect the 2009 governor's race in San Luis Potosi to focus on economic issues, since the state's security situation is relatively safe. San Luis Potosi has had success in developing manufacturing industries, but export demand is down due to the U.S. recession. The PAN and PRI will strongly compete in the upcoming July 5 election, which is likely to turn on local issues such as the economy and economic development in depressed areas. On the bright side, while the capital is subject to intermittent spasms of drug-related violence, the security situation in both the city and the state of San Luis Potosi is generally good. State officials have built a high tech C4 communications and command center that will allow them to further reduce common crime. End Summary.

¶2. (U) San Luis Potosi is located in a strategic area of central Mexico, near important highway and railroad links between Mexico City and the U.S. San Luis Potosi, about the size of West Virginia and with a population of 2.4 million, has attracted important manufacturing plants such as General Motors to the capital city of San Luis Potosi and the city of Matehuala, but economic development has lagged in other parts of the state. This state has been a PAN bastion, and while locals appear to approve of current PAN Governor Jesus Marcelo de los Santos, both PAN and PRI are expected to be competitive in the 2009 Governor's race. The PRD party is negligible in San Luis Potosi.

Security Situation Relatively Good

¶3. (SBU) Government officials proudly describe San Luis Potosi (SLP) as a relatively safe state. According to press report, there were 33 drug related executions in SLP in 2008, a big increase from 11 killings in 2007 but still low by Mexican standards. Governor de los Santos lauded the San Luis Potosi C-4 facility, which features a sophisticated system of cameras to watch key roads, provides analysis of common crime patterns and promotes intelligence sharing (see reftel). The Governor maintains that the C-4 facility facilitated a significant reduction in crime. De los Santos also praised the federal program Plataforma Mexico, which has provided training and helped clean up the state police force. Moreover, de los Santos maintained that there have only been two important kidnappings for ransom in the last five years (in 2004). The Governor

admitted that there have been 'levantones', or drug cartels kidnapping people who owe them money or members of the rival cartels, but he was dismissive of these cases.

14. (SBU) Although San Luis Potosi is not quite as safe as the Governor claims, it is a relatively safe. There have been several important drug executions, including high level police officials and a total of five police cadets were killed leaving the national police academy in SLP in two separate incidents in August 2008. IN addition, there have two separate attempts to kill the head of the San Luis Potosi Security Council Cesareo Carvajal since he took office in November 2007. Post has also heard reports of top level cartel officials meeting or traveling through SLP, and the state continues to be a transit point for drug shipments. Nevertheless, Econoff spoke to three prominent businessmen, and they all agreed that the security situation is good in SLP, and that the Governor has been effective in this area. Carvajal told the press that the C-4 facility has significantly reduced common crime, with robberies down 18% and homicide falling by 29%. Note. Econoff was not able to locate state crime statistics to verify these claims. End Note. A leading newspaper reported four kidnapping complaints in San Luis Potosi in 2008, but the official number usually grossly underestimates the actual number of kidnappings. Note: Consulate Monterrey is aware of other cases of kidnapping for ransom, particularly in the 'Ciudad Valles' region of the state, which were not reported to the authorities. End Note. Nevertheless, the private businessmen did not reflect the same fear of kidnapping as seen in neighboring states.

2009 Governor's Race Likely to Focus on Economy; Poverty Reduction

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15. (SBU) Although San Luis Potosi has been a PAN stronghold, there could be a close Governor's race in 2009. Several business leaders praised Governor de los Santos for his work attracting foreign investment and building infrastructure, such as roads. De los Santos was confident that the PAN candidate Alejandro Zapata Perogordo would win, and he cited the economy, security and poverty reduction as key issues, although he later retracted that to add that the economy and security were in good shape. Three local businessmen thought that both the PAN and PRI candidates were capable, but that Zapata Perogordo (a former PAN federal senator) could do more for SLP, since he is a reportedly a close friend of President Calderon. In contrast, PRI Candidate Fernando Toranzo Fernandez is a doctor who formerly served as a senior health official in the de los Santos Administration. Toranzo expects that his PRI campaign will be heavily outspent by the PAN, and he lamented that the compressed election schedule (limiting the campaign to a few months) will only allow him to visit some communities once. Toranzo still expects to win. Our Consular Agent, who has lived in San Luis Potosi for decades, commented that Toranzo is popular, and she expects a close race. Our contacts generally agreed that the race would focus on local issues rather than serve as a referendum on President Calderon. Note. Econoff was unable to meet with the PAN candidate during the trip. End Note.

16. (SBU) One challenging issue will be how to extend the economic development in San Luis Potosi and Matehuala to the other 50% of the population, particularly in the indigenous area of la Huasteca. PRI candidate Toranzo thought that the primary campaign issue will be how to provide government services, such as water, electricity and health care, to the indigenous people of la Huasteca. SLP Secretary for Economic Development Carlos

Barcena commented that areas such as la Huasteca always ask for manufacturing plants, the same development strategy SLP pursues for the cities. However, Barcena questioned whether these underdeveloped areas have the trained talent to run sophisticated manufacturing operations. Instead, he thought that they should focus on developing their own competencies, including sugar cane or raising cattle, and the state is facilitating their development by building good roads to these areas. A business man also thought that la Huasteca has potential for tourism, but first industry must build hotels and restaurants to support the tourist trade.

US Economic Recession Hitting SLP Hard

17. (SBU) San Luis Potosi is already feeling the effects of the U.S. recession, due to its dependence on manufacturing goods for export to the United States. Governor de los Santos boasted how SLP had used incentives and good infrastructure to attract and retain 1,500 foreign companies, develop large industrial parks, and GM plans to open a transmission factory in the near future. However, SLP Economic Secretary Barcena allowed that manufacturing in SLP is down 20-30% in late 2008, including a 25% drop in General Motors' production line since November. Moreover, although state employment normally grows by 5% annually, he projects that it will decline by 10% in 2008 and does not expect any further growth in 2009. Meanwhile, the private businessmen, who own General Motors dealerships and local construction companies, were more pessimistic, claiming that SLP has been hit much harder than most states. The businessmen reported that bank credit was very tight and expensive, particularly for purchasing housing or cars. They noted that remittances, although only 3.4% of the state GDP, have declined, making it harder for ordinary people to pay for consumer purchases.

18. (U) Comment. Since the state economy is likely to continue to be battered by weak export demand for manufacturing goods, we expect local economy issues to predominate in the campaign for Governor. Although this is PAN country, this year could be different. The PRI candidate for Governor is well known and appears to have a sincere interest in the underdeveloped parts of the state. Post will continue to monitor the Governor's race closely. End Comment.
WILLIAMSON